

Volume: 1
Number: 3
Page: 259 - 267

Article History:

Received: 2022-11-23
Revised: 2022-12-24
Accepted: 2023-01-17

THE EFFECT OF TAX INCENTIVES, TAX RATES AND TAX SERVICES ON MSMEs TAXPAYER COMPLIANCE AMID THE COVID-19 PANDEMIC IN MANADO CITY

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Abstract:

The COVID-19 pandemic has struck around the globe, including Indonesia. The COVID-19 pandemic has significantly impacted economic stability and reduced community productivity, especially for Micro, Small and Medium Enterprises (MSMEs). So that the Government of the Republic of Indonesia, through the Ministry of Finance, provides tax incentives to encourage the National Economic Recovery program amid the COVID-19 pandemic. The final Income Tax incentive is a facility for MSMEs taxpayers Borne by the government. This study aims to determine the effect of tax incentives, tax rates and services on MSMEs taxpayer compliance amid the COVID-19 pandemic in Manado City. The research method used in this study is to use quantitative research methods. The sampling technique used in this study is purposive sampling and calculated by the slovin formula that produces a sample of 100 respondents. The data collection techniques used in this study is using questionnaires. Data analysis techniques used in this study are data quality test, classical assumption test, multiple linear regression analysis and hypothesis test using IBM SPSS Statistics version 25.0 for Windows software. The results of this study indicate that (1) tax incentives do not affect the compliance of MSMEs taxpayers, (2) tax rates do not affect the compliance of MSMEs taxpayers, (3) tax services affect the compliance of MSMEs taxpayers, and (4) tax incentives, tax rates and tax services affect the compliance of MSMEs taxpayers.

Keywords: Tax Incentives, Tax Rates, Tax Services, and MSMEs Taxpayer Compliance.

Cite this as: SENGKEY, R.A.A., RUNTU, T. &TANGKUMAN, S. J. (2023). "The Effect of Tax Incentives, Tax Rates and Tax Services on MSMEs Taxpayer Compliance amid the Covid-19 Pandemic in Manado City E-Faktur Based Value Added Tax Accounting Treatment at CV Mega Lestari Manado." Journal of Governance, Taxation and Auditing. 1 (3), 259 - 267.



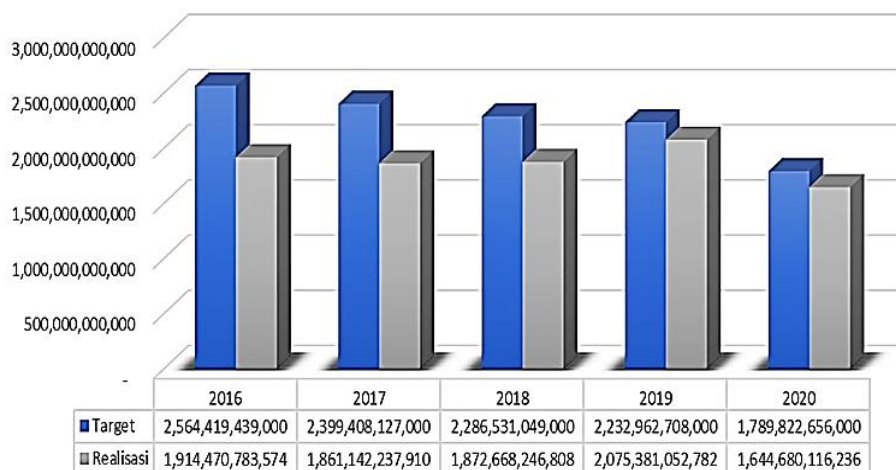
INTRODUCTION

Corona Virus Disease 2019 Pandemic, or COVID-19, hit the whole world, including Indonesia, in 2020, causing a significant impact on the national economy, especially in the Micro, Small and Medium Enterprises (MSMEs) sectors. MSMEs are one of the drivers of economic growth in Indonesia, which has been dramatically affected by the spread of the COVID-19 pandemic. Therefore, special attention is needed from the government. In the context of National Economic Recovery due to the COVID-19 pandemic, the government, through the Ministry of Finance, provides convenience by issuing a tax policy, one of which is providing tax incentives for taxpayers. Thus, the government issued a policy, namely the Minister of Finance Regulation Number 44/ PMK.03 / 2020 as amended by the Minister of Finance Regulation Number 86 / PMK.03 / 2020, concerning tax incentives for taxpayers affected by the Corona Virus Disease 2019 pandemic which came into effect in July 2020 until the December 2020 tax period. This tax incentive

is given to taxpayers with a particular gross circulation (turnover) intended for MSMEs with a gross circulation (turnover) for a year of not more than IDR 4.8 billion based on Government Regulation Number 23 of 2018. With the Regulation of the Minister of Finance (PMK) Number 86 / PMK.03 / 2020, the Final Income Tax for MSMEs, as referred to in Government Regulation 23 of 2018, is subject to a tax rate of 0.5% to 0% borne by the government.

Based on data from KPP Pratama Manado, in 2020, there were 13,115 registered MSMEs taxpayers, while taxpayers who reported the Annual Tax Return of the Final Income Tax of MSMEs were only 4,109, so the compliance ratio of MSMEs taxpayers was 31.33%. The results in 2020 are a decrease when compared to the results in 2019, where 4,398 taxpayers reported the Annual Tax Return of the Final Income Tax of MSMEs from 12,705 registered MSMEs taxpayers with taxpayer compliance of 34.62% of taxpayers who reported the Annual Tax Return of the Final Income Tax of MSMEs. From this data, it is explained that a high number of taxpayers does not also affect the increase in compliance of MSMEs taxpayers, let alone instability from the impact of the COVID-19 pandemic. Therefore, it is a challenge for the Directorate General of Taxes to improve the compliance of MSMEs taxpayers. Along with the increase in MSMEs taxpayers, tax revenue should also increase.

Figure 1. Tax Target and Realization in Manado City



Source: KPP Pratama Manado, 2022

Based on the data above, the realization of tax revenue in 2016-2020 was different from the tax revenue target set by KPP Pratama Manado, especially in 2020, where it was recorded at IDR 1,644.6 trillion or 91.89%. However, the increase in MSMEs taxpayers does not also affect the level of tax revenue. This is due to external factors that affected the achievement of tax revenues in 2020, namely the COVID-19 pandemic. This research is a development of previous research conducted by Andrew and Sari (2021), stating that tax rates and tax services affect MSMEs' taxpayer compliance, and Riska (2021) states that incentives affect MSMEs' taxpayer compliance. However, this study differs from previous studies, such as different research locations. Based on this description, the researcher conducted a study entitled "The Effect of Tax Incentives, Tax Rates, and Tax Services on MSMEs Taxpayer Compliance amid the COVID-19 Pandemic in Manado City".

METHODS

This research is a type of research that uses quantitative methods with a descriptive survey approach. The population in this study is all MSMEs taxpayers in Manado City, especially in

Malalayang and Wanna Districts, who were registered in 2020 at KPP Pratama Manado, which amounted to 3,232 MSME taxpayers. In determining how large the number of samples as representatives of the population is, researchers used the Slovin formula guidelines with the number of samples in the study totaling 100 respondents. The type of data used in this study is quantitative data. The primary data source was questionnaires and data related to this study. The data collection method used is the questionnaire method. The data analysis method used in this study is multiple linear regression analysis using IBM SPSS Statistics version 25.0 for Windows software.

RESULT AND DISCUSSION

Validity test. A validity test is carried out with the aim that it is used to test the validity or not of each item in the questionnaire.

Table 1. Validity Test Results

Variable	Statement Items	t_{count}	r_{table}	Information
Tax Incentives (X_1)	X1.1	0,728	0,197	Valid
	X1.2	0,593	0,197	Valid
	X1.3	0,627	0,197	Valid
	X1.4	0,639	0,197	Valid
	X1.5	0,623	0,197	Valid
Tax Rates (X_2)	X2.1	0,751	0,197	Valid
	X2.2	0,605	0,197	Valid
	X2.3	0,667	0,197	Valid
	X2.4	0,620	0,197	Valid
Tax Services (X_3)	X3.1	0,733	0,197	Valid
	X3.2	0,624	0,197	Valid
	X3.3	0,560	0,197	Valid
	X3.4	0,689	0,197	Valid
	X3.5	0,621	0,197	Valid
	X3.6	0,795	0,197	Valid
MSMEs Taxpayer Compliance (Y)	Y1.1	0,780	0,197	Valid
	Y1.2	0,614	0,197	Valid
	Y1.3	0,607	0,197	Valid
	Y1.4	0,695	0,197	Valid
	Y1.5	0,550	0,197	Valid

Source: Processed Data, 2022

Based on Table 1, it can be seen that the value of t count is greater than the value of r_{tabel} . Then it can be concluded that all statements contained in each variable are declared valid.

Reliability test. A reliability test is carried out with the aim that it is used to test each item of question or statement that meets the requirements or has been tested for validity first, so those that do not meet the requirements do not need to be forwarded for reliability tests.

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Reliability Limits	Information
Tax Incentives (X_1)	0,642	0,60	Reliable
Tax Rates (X_2)	0,606	0,60	Reliable
Tax Services (X_3)	0,759	0,60	Reliable
MSMEs Taxpayer Compliance (Y)	0,662	0,60	Reliable

Source: Processed Data, 2022

Based on Table 2, it can be seen that the value of Cronbach's Alpha contained in each variable shows a number greater than 0.60. Then it can be concluded that all these variables are declared reliable.

Normality test. Normality test is carried out with the aim that it is used to test whether a multiple linear regression model with independent variables and dependent variables has a standard or abnormal distribution.

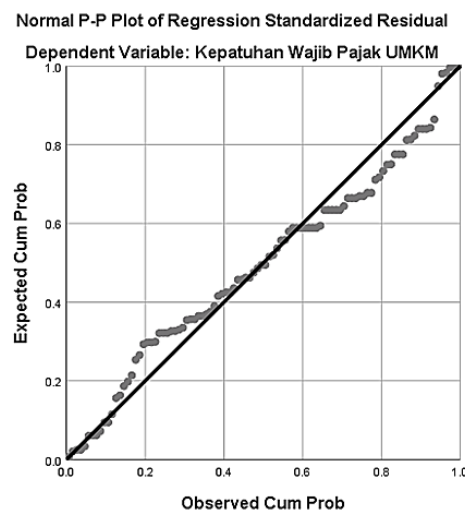


Figure 2. Normality Test Results

Source: Processed Data, 2022

Based on Figure 2, it can be seen that the Normal P-P Plot graph shows that the dots spread around the diagonal line or their spread follows the direction of the diagonal line. Then it can be concluded that the data is usually distributed.

Multicollinearity Test. Multicollinearity test is carried out to be used to test whether regression is found to correlate with one independent variable and another.

Table 3. Multicollinearity Test Results

Model	Collinearity Statistics		Information
	Tolerance	VIF	
1			
(Constant)			
Tax Incentives	.145	6.894	No multicollinearity occurs
Tax Rates	.285	3.511	No multicollinearity occurs
Tax Services	.253	3.945	No multicollinearity occurs

Source: Processed Data, 2022

Table 3 shows that each variable's Variance Inflation Factor (VIF) value shows a number smaller than ten, and the Tolerance (TOL) value in each variable shows a number greater than 0.10. Then it can be concluded that multicollinearity does not occur.

Heteroskedasticity Test. The heteroskedasticity test is carried out with the aim that it is used to test whether, in the regression model, there is a variant inequality from one observation to another.

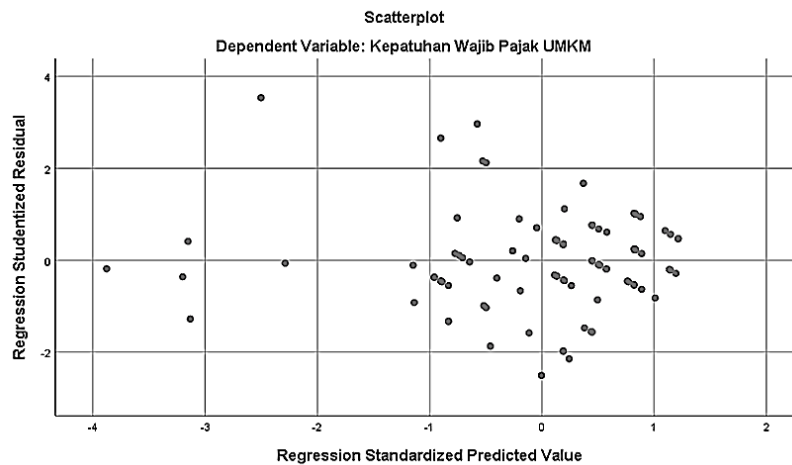


Figure 3. Heteroskedasticity Test Results

Source: Processed Data, 2022

Based on Figure 3, it can be seen that the scatterplot chart shows that the dots spread above and below point 0 on the X and Y axes.

Multiple Linear Regression Analysis. Multiple linear regression analysis is carried out to test the influence of two or more independent variables on dependent variables with a scale of measurement of intervals or ratios in a linear equation.

Table 4. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	4.793	1.335	
	Tax Incentives	.018	.152	.019
	Tax Rates	.105	.127	.091
	Tax Services	.568	.091	.732

a. Dependent Variable: MSMEs Taxpayer Compliance

Source: Processed Data, 2022

Based on the results of multiple linear regression analysis in Table 4, it can be developed using the multiple linear regression equation models as follows $Y = 4,793 + 0,018X_1 + 0,105X_2 + 0,568X_3$. Based on the results of the multiple linear regression equation can be described as follows:

1. The constant (α) is 4.793. It shows a constant rate, where the variables of tax incentives (X_1), tax rates (X_2) and tax services (X_3) are 0. It can be concluded that the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City will remain at 4,793, assuming other variables remain.
2. The value of the regression coefficient $\beta_1 X_1$ is 0.018. This suggests that the tax incentive variable (X_1) positively affects the compliance of MSMEs taxpayers, or in other words, if the tax incentive variable (X_1) is increased by one unit.
3. The value of the regression coefficient $\beta_2 X_2$ is 0.105. This suggests that the variable tax rates (X_2) positively affect the compliance of MSMEs taxpayers, or in other words, if the variable tax rates (X_2) are increased by one unit.

4. The value of the regression coefficient $\beta_3 X_3$ is 0.568. This shows that the tax service variable (X_3) positively affects the compliance of MSMEs taxpayers, or in other words, if the fiscus service variable (X_3) is increased by one unit.

Determinant Coefficient Test (R^2). The determinant coefficient (R^2) is done with the aim that it is used to test how much the percentage of an independent variable (Y) can describe the dependent variable, (X).

Table 5. Determinant Coefficient Test Results (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.816 ^a	.665	.655	1.29942

a. Predictors: (Constant), Tax Services, Tax Rates, Tax Incentives

Source: Processed Data, 2022

Based on Table 5, it can be seen that the R Square result in the Model Summary is 0.655 or 65.5%. It can be concluded that tax incentives, tax rates and tax services have 65.5% of MSMEs taxpayer compliance amid the COVID-19 pandemic in Manado City. At the same time, the remaining 34.5% was influenced by other variables or factors that were not studied in this study.

T Test. The T-test is carried out with the aim that it is used to test how much influence one independent variable individually has on the dependent variable by assuming that other variables are constant.

Table 6. T Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.793	1.335		3.589	.001
	Tax Incentives	.018	.152	.019	.121	.904
	Tax Rates	.105	.127	.091	.825	.411
	Tax Services	.568	.091	.732	6.243	.000

a. Dependent Variable: MSMEs Taxpayer Compliance

Source: Processed Data, 2022

Based on Table 6, the significance value for the t-test contained in each variable is obtained, so that hypothesis testing with a known significance value of 0.05 is as follows:

1. In the tax incentive variable, a significance value of 0.904 is obtained, which means it is greater than the significance value of 0.05. It can be concluded that tax incentives do not significantly affect the compliance of MSMEs taxpayers.
2. In the variable tax rate, a significance value of 0.411 is obtained, which means it is greater than the significance value of 0.05. It can be concluded that the tax rate does not significantly affect the compliance of MSMEs taxpayers.
3. In the fiscus service variable, a significance value of 0.000 is obtained, which means it is smaller than the significance value of 0.05. It can be concluded that tax services significantly affect the compliance of MSMEs taxpayers.

F Test. F-test is carried out to be used to test how much influence independent variables have on the dependent variables.

Table 7. F Test Results

ANOVA						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	322.494	3	107.498	63.665	.000 ^b
	Residual	162.096	96	1.689		
	Total	484.590	99			

a. Dependent Variable: MSMEs Taxpayer Compliance

b. Predictors: (Constant), Tax Service, Tax Rate, Tax Incentive

Source: Processed Data, 2022

Based on Table 7, it can be seen that obtained a significance value of 0.00 indicates a number smaller than the significance value of 0.05. It can be concluded that the variables of tax incentives, tax rates and tax services have a simultaneous effect on the compliance variables of MSMEs taxpayers.

The Effect of Tax Incentives on MSMEs Taxpayer Compliance amid the COVID-19 Pandemic in Manado City. The results showed that tax incentives had a positive effect on the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City was rejected because although a regression coefficient value of 0.018 was obtained, which stated an optimistic prediction, based on hypothesis testing obtained from the results of the t-test where the significance value of 0.904 which means more significant than the significance value of 0.05 did not have a significant effect. Then it can be concluded that the first hypothesis tested positive but not significant, so the hypothesis was rejected. This is because the tax incentives provided by the government are not required. After all, they are only facilities for MSMEs taxpayers. According to data obtained from KPP Pratama Manado that only 773 MSME taxpayers used the tax incentive facility of the Minister of Finance Regulation (PMK) Number 86 / PMK.03 / 2020 when compared to taxpayers who reported the Annual Tax Return of the Final Income Tax of MSMEs in 2020 as many as 4,109 very low utilization of the tax incentive facility. The results of this study align with research conducted by Dewi, Widyasari and Nataherwin (2020: 108) with the results of the study showing that tax incentives have a positive but not significant effect on taxpayer compliance during the COVID-19 pandemic in DKI Jakarta.

The Effect of Tax Rates on MSMEs Taxpayer Compliance amid the COVID-19 Pandemic in Manado City. The results showed that the tax rate had a positive effect on the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City was rejected because although a regression coefficient value of 0.105 was obtained, which stated an optimistic prediction, based on hypothesis testing obtained from the results of the t-test where the significance value of 0.411 which means more significant than the significance value of 0.05 did not have a significant effect. Then it can be concluded that the second hypothesis tested positive but not significant, so the hypothesis was rejected. This is because of the rules outlined in Government Regulation 23 of 2018, which are subject to a rate of 0.5%. Many MSMEs taxpayers think they can still deposit their tax obligations at this rate compared to the rate of 0% or borne by the government (DTP) because taxpayers feel it is troublesome to submit income realization reports or submits SKB or how to realize tax incentives carried out online. This study's results align with research conducted by Rezi Eka Putra and Linawati (2022: 39), with the study's results showing that the tax rate has a positive and insignificant effect on the compliance of MSMEs taxpayers in South Tangerang City.

The Effect of Tax Services on MSMEs Taxpayer Compliance amid the COVID-19 Pandemic in Manado City Manado. The results showed that tax services had a positive effect on the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City was accepted because a regression coefficient value of 0.568 was obtained, which stated an optimistic prediction, and based on hypothesis testing obtained from the results of the t-test where the significance value of 0.000 which means that it is smaller than the significance value of 0.05 has a significant effect. Then it can be concluded that the third hypothesis tested positive and significant, so the hypothesis was accepted. Tax services, despite the impact of the COVID-19 pandemic where the Directorate General of Taxes carried out Large-Scale Social Restrictions (PSBB) such as social distancing for all taxpayers to carry out their tax obligations online through specific channels on the www.pajak.go.id page because all tax service offices in Indonesia are closed for the time being and reduce tax employees who work at the tax office, instead of working from home to prevent and control the spread of the COVID-19 pandemic. The results of this study align with research conducted by Kurniawan and Mulyanta (2022: 60), with the study's results showing that tax services have a positive and significant effect on the compliance of MSMEs taxpayers in Tangerang Raya City.

The Effect of Tax Incentives, Tax Rates and Tax Services on MSMEs Taxpayer Compliance amid the COVID-19 Pandemic in Manado City. The results showed that tax incentives, tax rates and tax services affect the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City. Based on hypothesis testing obtained from the results of the F test where the significance value is 0.000, which means it is smaller than the significance value of 0.05. Then it can be concluded that the fourth hypothesis is stated to have an effect so that the hypothesis is accepted.

CONCLUSION

Based on the results of the research and data processing carried out, the researcher gets the following conclusions:

1. Tax incentives do not affect the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City. This shows that a regression coefficient value of 0.018 is obtained, which expresses an optimistic prediction but is based on hypothesis testing obtained from the results of the t-test, where the significance value is 0.904, which means it is greater than the significance value of 0.05.
2. Tax rates do not affect the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City. This shows that a regression coefficient value of 0.105 is obtained, which expresses an optimistic prediction but is based on hypothesis testing obtained from the results of the t-test, where the significance value is 0.411, which means it is greater than the significance value of 0.05.
3. Tax services affect the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City. This shows that a regression coefficient value of 0.568 is obtained, which expresses an optimistic prediction, and is based on hypothesis testing obtained from the results of the t-test where the significance value is 0.000, which means it is smaller than the significance value of 0.05.
4. Tax incentives, tax rates and tax services affect the compliance of MSMEs taxpayers amid the COVID-19 pandemic in Manado City. This shows that based on hypothesis testing obtained from the results of the F test, where the significance value is 0.000, it is smaller than the significance value of 0.05. In addition, the F value of 63,665 is greater than the F_{table} value of 2,698.

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